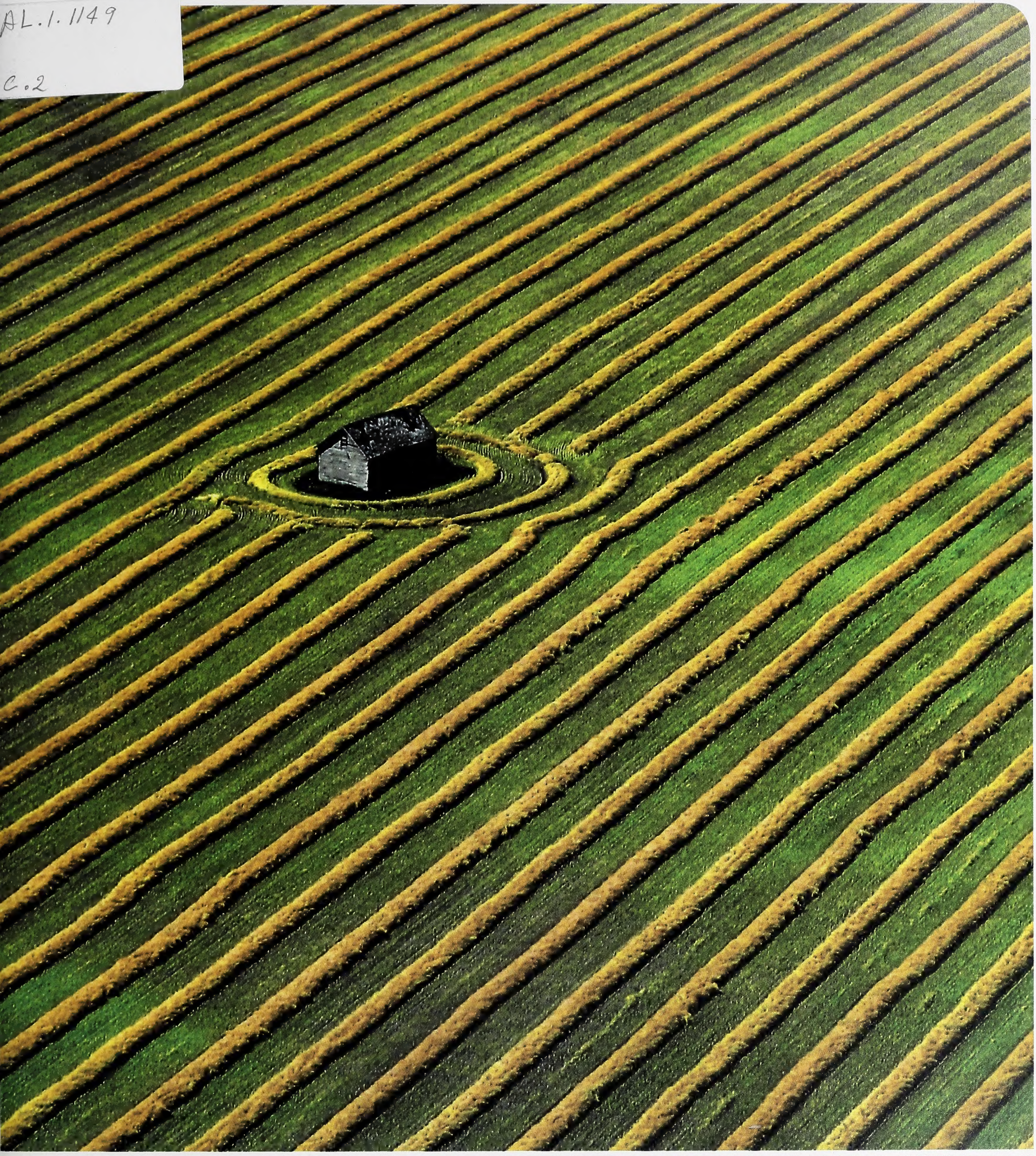

2007 Annual Report

lapp | Local Authorities Pension Plan

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LAPP is Alberta's largest public sector pension plan.

LAPP was established in 1962 as a defined benefit pension plan for employees of Local Authorities in Alberta. These include health authorities, cities, towns, villages, municipal districts, colleges, school boards and other public sector organizations.

LAPP collects contributions from employers and employees, invests the contributions in equities, bonds, and other investment vehicles, and uses a combination of investment income and contributions to pay pension benefits to retirees.

The Alberta Minister of Finance is the legal trustee of the plan, which is governed by a 14 member Board of Trustees. The Board includes six employee nominees, six employer nominees, and one nominee each from retirees and government.

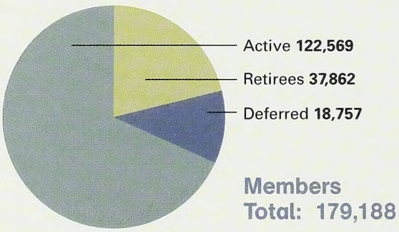
For more information on LAPP visit www.lapp.ab.ca.

Highlights

- Net assets available to provide member benefits (pensions): $15.6 billion, up from $14.6 billion in 2006.
- Accrued benefits (liabilities): $16.8 billion, up from $15.4 billion in 2006.
- Deficiency: $1.2 billion, up from $750 million.
- Funding status: 92.9%, down from 95.1%
- Total membership: 179,188, up from 168,334
- Total number of participating employers: 407

Membership

December 31, 2007



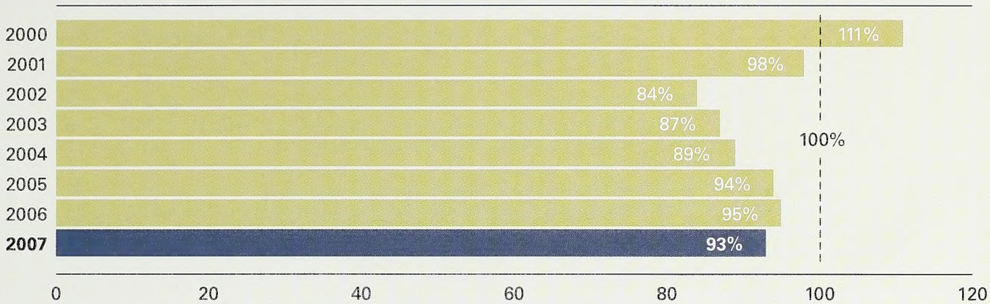
Summary of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 2007

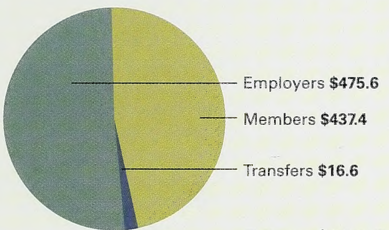
	2007 (thousands)	2006
Net Assets Available for Benefits		
Net assets available for benefits	$ 15,587,866	$ 14,645,049
Accrued Benefits		
Value of accrued benefits	$ 16,771,200	$ 15,391,700
Deficiency	$ (1,183,334)	$ (746,651)

Financial Status ($ billions)

Funding Status (% funded)

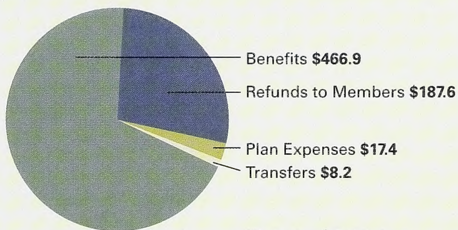


Pension Contributions and Transfers ($ millions)



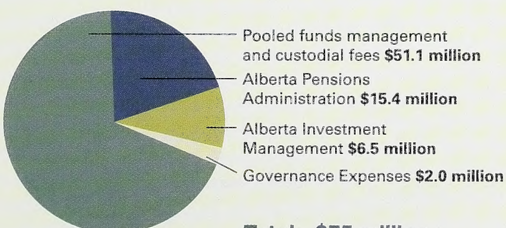
Total: $929.6

Pension Payments ($ millions)



Total: $680.1

Plan Expenses



Total: $75 million

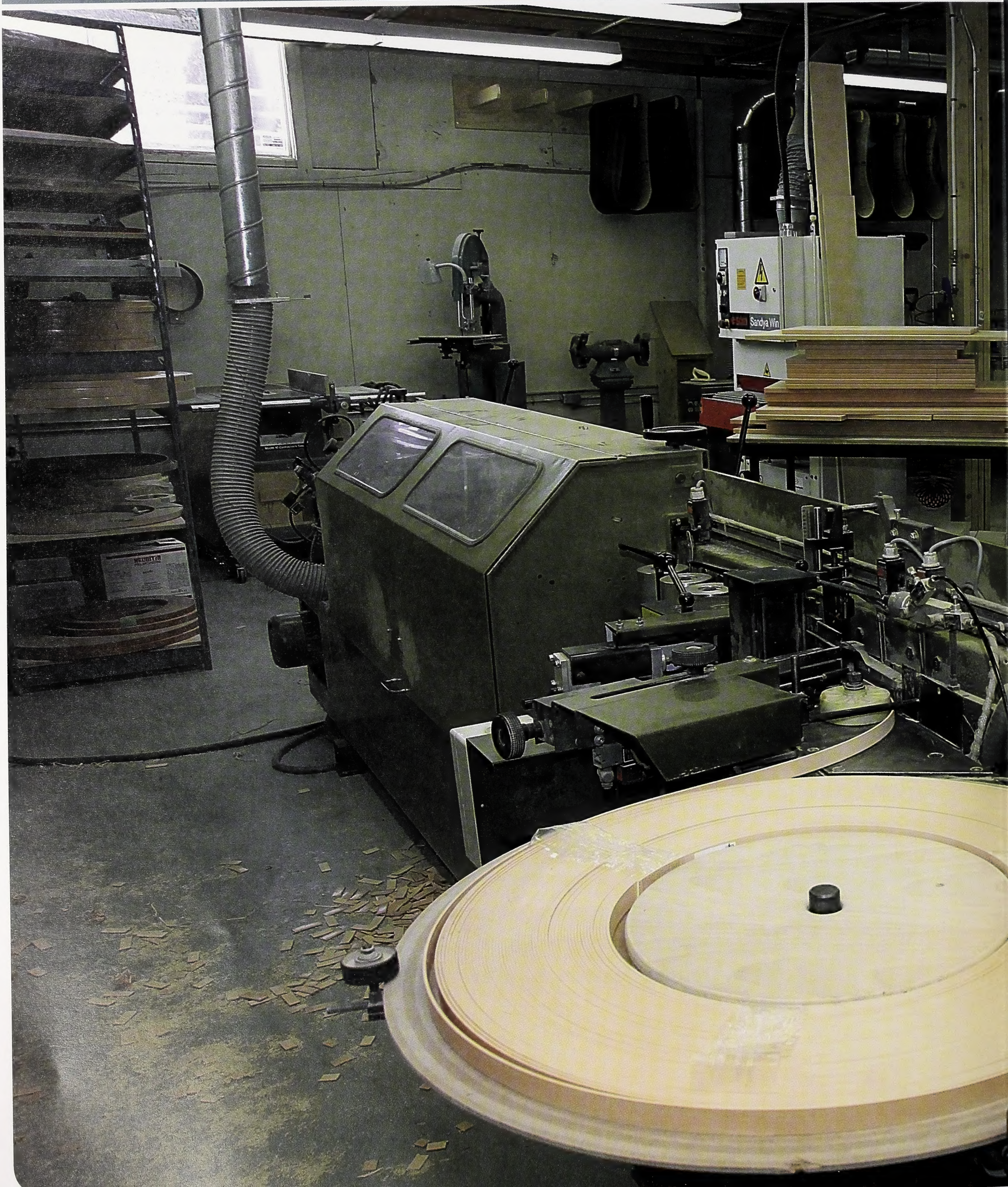
Administration and Governance Costs - $101 per member

- Alberta Pensions Administration Corporation (APA) costs to administer the Plan – $15.4 million or $89 per LAPP member
- Governance expenses for overseeing the Plan – $2.0 million or $12 per member

Investment Costs - $331 per member

(netted out prior to calculation of investment returns)

- Alberta Investment Management costs to manage the Plan's funds – $6.5 million or $37 per member
- Pooled fund management and custodial fees – $51.1 million or $294 per member


Sandya Win

LAPP Member Lawrence Carlson

Local Authorities Pension Plan

Board of Trustees and Alberta Local Authorities Pension Plan Corp. Board of Directors

Standing, left to right: Rod Matheson, Elaine Noel-Bentley, Tony Olmsted, George Walker, Richard Martin, Aaron Mireau, Helen Rice **Seated, left to right:** Bruce McLeod , Les Young, John Vanderkaay (Chair), Grant Howell (Vice Chair), Ken Balkwill **Missing:** Ken Hoppins, Tony Krivoblocki

Chair
John Vanderkaay AP
Health Sciences Association of Alberta

Vice Chair
Grant Howell BOP, HR&C
Council of Board Chairs, Alberta Association of Public Colleges and Technical Institutes

Ken Balkwill BOP
Retiree Nominee

Kenneth Hoppins AP
Alberta Association of Municipal Districts and Counties

Tony Krivoblocki HR&C
Alberta Federation of Labour

Richard Martin AU
Management and Out-of-Scope

Rod Matheson AU
Government of Alberta

Bruce McLeod BOP, HR&C
Alberta Federation of Labour

Aaron Mireau AP
Alberta Union of Provincial Employees and Non-Alberta Federation of Labour Unions

Elaine Noel-Bentley AU, HR&C
Health Boards of Alberta

Tony Olmsted AU, HR&C
United Nurses of Alberta

Helen Rice AP, BOP
Alberta Urban Municipalities Association

George Walker AP, BOP
Alberta School Boards Association

Les Young AU
Health Boards of Alberta

Committee Legend

AP	Appeal Committee
AU	Audit Committee
BOP	Board Operations Committee
HR&C	Human Resources and Compensation Committee

Investment Highlights

To diversify its portfolio and capture global investment opportunities, LAPP invests in a broad portfolio of world class companies. Some stocks are "defensive", to perform well when markets are falling. Others are "growth", to outperform when markets are rising. Here are some examples of each:

Growth Stocks:

Research In Motion

Makers of the popular Blackberry® e-mail device, RIM continues to grow its subscriber base across the United States and the rest of the world. This Waterloo, Ontario based company has offices in Europe and the Asia Pacific region.

Vestas

With 33,500 wind turbines installed thus far, Vestas is the world's leading supplier of wind power solutions. Based in Denmark, Vestas markets its clean wind powered energy as a supplement to oil and gas based electrical energy.

Nintendo

Since 1983, Nintendo has sold over 1.6 billion home entertainment systems worldwide. The company is headquartered in Kyoto, Japan and is dedicated to the long-term development of the interactive entertainment industry.

Nokia

As a world leader in mobile communications, Nokia products have a truly global span. Based in Finland, the firm enjoys an estimated 39% market share of the world's cell phone market.

Defensive Stocks:

Nestle SA

Nestle positions itself as the world's foremost nutrition, health and wellness company. Its more popular consumer brands include Nestea®, Stouffers® and Kit Kat®. The firm has its head offices in Vevey, Switzerland.

GlaxoSmithKline (GSK)

Headquartered in the UK and with operations based in the U.S., GSK is one of the world's leading pharmaceutical companies, with an estimated 7% share of the world's drug market. Every minute of every day, more than 1,100 prescriptions are written for GSK products.

Total S.A.

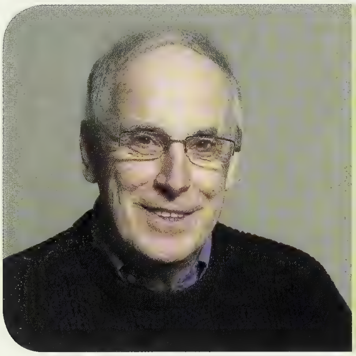
With its main offices in Paris, France, Total S.A. is one of the six largest oil companies in the world. Its businesses cover the entire oil and gas production chain, from exploration to refining and distribution. The firm operates in more than 130 countries around the world, including Canada.

TD Bank Financial Group

Headquartered in Toronto and with offices around the world, TD Bank Financial Group offers a full range of financial products and services. A dominant player in the Canadian banking industry, the firm has a surprisingly strong international presence.

LAPP Member Ireneo Latorre

Message from the Chair



The financial world won't soon forget 2007. What started out innocently enough as an investor-friendly year turned into a whirlwind of mortgage losses, currency fluctuations and bad credit. Investment values rose and fell on a daily basis, and investors suffered losses on a scale not seen since the dot-com meltdown of 2000.

Remarkably, LAPP survived the turmoil with only a few scratches. While the markets took a round or two out of most Canadian pension plans, LAPP achieved a 4.7% return on its portfolio - better than all of the other public sector pension plans in Alberta, and even better than Alberta's own Heritage Savings Trust Fund.

LAPP had no direct exposure to the sub-prime mortgage mess and only minimal exposure to one of the financial instruments at the edge of the crisis. Unfortunately, other firms had far more exposure, including firms in which LAPP has investments. As a consequence, investment returns for the Plan dropped from the previous year.

Why do we pay so much attention to the markets? Investment returns are used to help pay pension benefits. Strong market performance allows LAPP to keep contribution rate increases to a minimum. The fact that your pension plan made money during one of the worst investment years in recent memory is something to be proud of.

Investment management wasn't the only thing keeping the LAPP Board of Trustees busy. Working with the Government of Alberta, the Board approved a number of reciprocal transfer agreements to make moving between pension plans more efficient. It is now easier and usually less expensive for employees from across Canada to join LAPP, and for LAPP members to join other public sector pension plans.

A long standing concern of part time employees began to be addressed in 2007, with the start of the "one employee, multiple positions" consultation process. The Board also examined phased-in retirement, an innovative way of allowing members to continue at work while receiving a pension at the same time. More work and consultation will be done on both topics in 2008.

Connecting with members was also a priority in 2007. The Plan doubled the amount of communication material provided to retirees and members, opened the door to several new employers, and welcomed thousands of new members. On questions relating to plan benefits, it sought out the opinions of employers and unions before making any major decisions.

Looking forward to 2008, the Board has several initiatives planned, each designed to improve, streamline or clarify elements of the pension plan. Watch our website, newsletters and e-newsletter for information on these initiatives.

To conclude, I want to acknowledge the efforts of our Board members. Guiding a pension plan is hard work, and each member worked diligently to make improvements and refinements to one of Canada's best pension plans. I especially want to acknowledge the work of departing Trustee Les Young, whose skills as a consensus builder and pension advocate were invaluable. To all the members of the Board, thank you for your contributions and efforts.

John Vanderkaay
Board Chair

LAPP bids farewell to three retiring members of the LAPP Board of Trustees: John Vanderkaay, Les Young, and Ken Hoppins. Combined, these three men served LAPP for over 21 years. John Vanderkaay and Les Young were long-time Board members, and both served as Board Chair. Members of the Board, along with more than 175,000 members, deferred members and retirees, thank them for their years of service.

Message from the CEO

For each of the years from 2003 - 2006, LAPP's annual investment returns were in double-digit territory, steadily moving the plan towards fully funded status. And for each of those years it was my distinct pleasure to deliver this good news to our various stakeholders.

However, as we all know, good things don't last forever. In August of 2007, troubles with two previously obscure financial instruments (asset backed commercial paper and sub-prime mortgages) put an end to a remarkable run of investment prosperity.

While the reasons behind the financial turmoil will be studied in business schools for years to come, one thing is clear – LAPP survived the meltdown in relatively good shape.

As mentioned in the Chair's message, LAPP's 4.7% investment return outperformed all other public sector pension plans in Alberta. While our return was not in the double digits, it was quite respectable, given the circumstances.

Each year, the Board decides on its asset allocation – in essence, its preferred combination of stocks, bonds, and other investments. A number of new investment techniques were explored, including liability-driven investing (LDI) and "net long" investing. Our plan is benefiting from the application of these concepts.

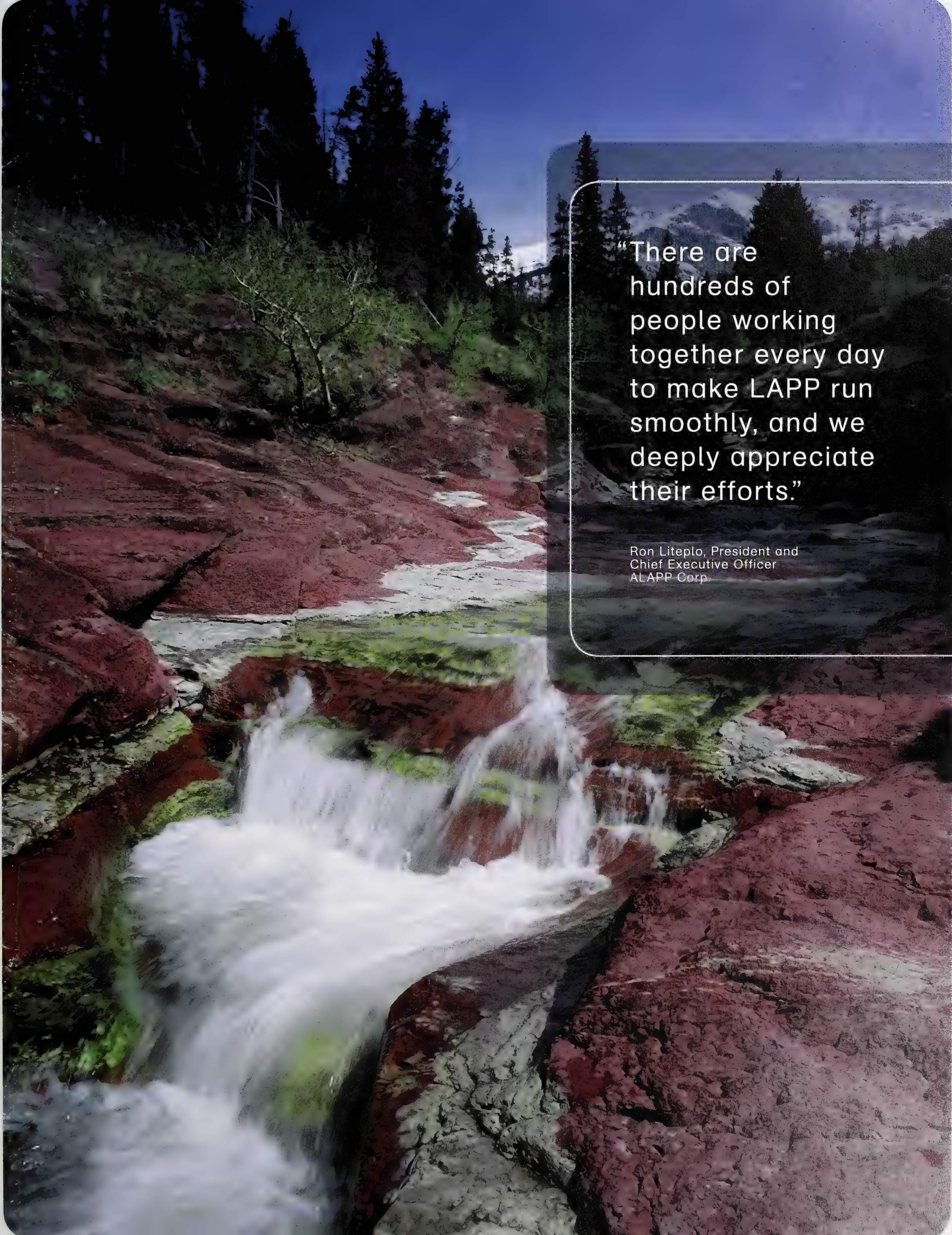
A new reciprocal transfer agreement between LAPP and the Public Service Pension Plan was introduced, to make it easier for employees to move between jobs and for employers to recruit employees. Additional agreements with several other Canadian pension plans, including the federal government's Public Service Superannuation Pension Plan and most provincial pension plans, were approved for introduction on January 1, 2008.

In July, the Board decided to keep contribution rates stable for the fourth year in a row. While that was the correct decision in order to maintain stability of rates, there is a strong possibility that contribution rates will have to rise in future years, to mitigate the impact of harsh investment climates. A rate increase only makes a small contribution towards LAPP's overall financial picture, but it is a vitally important one. Contributions provide the core funds that we invest to ultimately pay for plan benefits.

We continue to refine and grow our efforts to better communicate with plan stakeholders. Our new Stakeholder Relations Framework brings rigor to the way we interact with stakeholders, and we have simplified the way we present information to our members and retirees. For those who like to stay in touch with pension developments, the new electronic newsletter (sign up at www.lapp.ab.ca) provides up-to-date information every few months.

In closing, I thank the Board of Trustees for their careful governance of the Plan, and recognize our three departing Trustees for their many years of service. I also acknowledge the fine work of Alberta Investment Management (AIM), Alberta Pensions Administration Corporation (APA), and our own ALAPP Corp. employees. There are hundreds of people working together every day to make LAPP run smoothly, and we deeply appreciate their efforts.

Ron Liteplo
President and Chief Executive Officer
Alberta Local Authorities Pension Plan Corp.



"There are hundreds of people working together every day to make LAPP run smoothly, and we deeply appreciate their efforts."

Ron Liteplo, President and
Chief Executive Officer
ALAPP Corp.

Management Discussion and Analysis

It was inevitable that, after four years of remarkable investment earnings, stock markets around the world would cool off a little bit. They didn't just cool in 2007 – they went into the refrigerator.

Financial Report

LAPP's investment returns this year were the lowest they have been since 2002. While this is disappointing, it is not surprising. Just like we expect an extra cold winter every few years as part of a natural cycle, we expect something similar in the world of investment management.

Markets exhibited significant levels of volatility, and investment returns dropped back to average or below average levels. However, after experiencing so many years of strong returns and low volatility, this year's roller coaster ride was a shock to the system. Still, relative to other pension plans and mutual funds, LAPP did better than most.

There were three big financial stories of the year, each sending a shock wave through markets in Canada and around the world. Closest to home, the rise of the Canadian dollar made LAPP's U.S. and foreign holdings worth less money, which subsequently drove down the value of our investment returns from these holdings.

Sub-prime mortgages were the second story and, while LAPP had no direct exposure to these mortgages, it seemed like everyone else did. This too drove down the value of our holdings, as firms across the U.S realized that the mortgages they were holding had a strong possibility of moving into default territory.

Finally, issues with asset backed commercial paper (ABCP) created a liquidity crisis, with banks hesitating to lend money to other banks. This prompted banks to start selling their own investment holdings at discount prices, which subsequently drove market values down.

There is little we can do about these kinds of worldwide market situations – we manage those items that are within our control, and make informed decisions about everything else. However, we do know that this continuing market volatility may be taking us closer and closer to a contribution rate hike in the years to come. The Board will evaluate the Plan's investment performance in 2008 and make the appropriate decisions.

Plan Design

The Board approved a significant change to the rules surrounding "acting pay". Effective January 1, 2008, employees who work in an acting capacity can now have their extra pay considered as pensionable income, depending on the employer's policy.

The Board also embarked on a stakeholder consultation initiative to look at the pensionable status of part time employees working in more than one part time position. Results are expected in 2008.

Plan Governance

Would plan design issues be better addressed by a separately established sponsors group, rather than by the Board of Trustees? The theory behind a sponsors group is simple - those who pay the bills (employers and employees) play a more direct role in making decisions that cost the Plan money. The Government of Alberta examined this issue through the year, and a resolution is expected in 2008.

In November, the Board discovered that two of its long-standing internal procedures, on quorum and voting requirements, were in contravention of Alberta's *Interpretation Act*. The Board changed its procedures to comply with the *Act*, but asked the Minister of Finance to help reinstate the old procedures. The Board awaits the Minister's final response.

Plan Operations

The introduction of a new reciprocal transfer agreement between LAPP and the Public Service Pension Plan saw over 1,400 members combine their service from both plans into one. While processing these applications took longer than anticipated, the new agreement will benefit LAPP members for years to come. New transfer agreements with several public sector pension plans in Canada are also now in place.

A risk budgeting framework was introduced, to enable the Plan to take on a specific and calculated amount of risk in its investment program. When that level of risk is exceeded, the Plan's holdings are reviewed and risk is reduced. It is a leading edge technique for managing pension plan funds, and it puts LAPP ahead of most other pension plans in Canada.

The Board also approved the preparation of an Asset Liability Study, to be completed in 2008. Fundamental to a pension plan, this study will fine tune LAPP's mix of stocks, bonds, and other investments, and seek to ensure that all investment expectations are appropriate.

Plan Administration

LAPP is administered, in part, by Alberta Pensions Administration Corporation (APA) and Alberta Investment Management (AIM). Our use of these two organizations is mandated by the Minister of Finance, and we continue to be pleased with their efficiency and responsiveness.

APA deals with an ever-increasing number of requests for service from LAPP members and retirees, due to the wave of baby boomers now reaching retirement age. To address these volume concerns, APA is pursuing a number of productivity and business efficiency initiatives, including a renewed focus on web-based self-service offerings.

AIM successfully initiated its spin-off from the Government of Alberta, and is now establishing itself as Alberta's newest Crown Corporation. Effective January 1, 2008, the new organization will be called AIMCo.

AIM's service to LAPP during the transition period was unaffected by this organizational change, as illustrated by its performance over the year. When compared to our benchmarks, AIM's active management service provided 173 basis points (1.73%) of extra investment income – about $250 million over the year.

Cost Effectiveness

Independent external evaluations of our two service providers (APA and AIM) were completed in 2007. The evaluations indicated that both organizations were efficient and effective providers of service. We expect a high level of efficiency from our service providers, and both organizations continue to deliver.

Communications

We continue to execute our 2006 – 2008 Strategic Communication Plan, and the results have been positive. Members and retirees appreciate pension information that is simple and easy to understand, so we continue to review our materials for ease of understanding. We are starting to introduce specialized publications, to give members more detailed information on specific topics. Our first such publication, on the subject of leaving the plan early and withdrawing the commuted value, will be available in 2008.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EMS

LAPP Members Peter Genereux, Ryan Collyer, and Ian McEwan in a training exercise

Management Discussion and Analysis - Investments

Investment Management Structure

Alberta Investment Management (AIM) provides the day to day investment services for LAPP's investment portfolio, in accordance with the Board of Trustees' *Statement of Investment Policy and Goals (SIP&G).*

Market Review

Overall, markets were down in 2007 compared to the previous year. A significant decline in the U.S. housing market in 2007 and credit concerns with sub-prime mortgages and asset backed commercial paper (ABCP) led to a credit and liquidity crisis which subsequently caused a softening in world equity markets. This affected the value of financial institutions holding these types of investments, and the liquidity of other structured investment vehicles.

The Plan has a small exposure to structured investment vehicles, nominal exposure to non-bank sponsored ABCP, and no direct exposure to U.S. sub-prime mortgages. However, the Plan has indirect exposure to the sub-prime situation to the extent the Plan holds other investments such as stocks held in publicly traded financial institutions through its U.S., Canadian and non-North American equity portfolios which in turn may hold sub-prime mortgages.

Canadian real estate and Canadian equities posted strong gains in 2007. However, these gains were offset by negative returns from investments in U.S. equities and non-North American equities, which were hurt by the appreciating Canadian dollar and a weakening U.S. economy.

The value of the Plan's foreign investment portfolio is exposed to foreign currency risk. As a result of the stronger Canadian dollar, U.S. dollar investments declined in value over the year when translated into Canadian dollars, resulting in negative returns.

The Canadian bond market represented by the DEX Bond Universe Index posted a return of 3.7% in 2007, down from 4.1% in 2006 and 6.5% in 2005. Over eight years, the annualized return from this index was 6.9%.

Investment Returns

The plan's actuary assumes a long-term investment return of 6.55% per annum. By comparison, LAPP's investments earned a total return of 4.7% in 2007, down from 14.0% in 2006 and 14.3% in 2005. Over eight years, the annualized return from the Plan investments was 6.2%.

Asset Mix

LAPP's Board sets the asset mix policy for the Plan. In 2007, the Board changed the asset mix classification of investments to better match liability flows and investment horizons. The risk matching category includes assets with predictable cash flows to better match liability flows and reduce asset/liability mismatch risk. Short horizon investments focus on securities which produce value-added returns against benchmarks with short time horizons. Long horizon investments focus on assets that are less liquid and are expected to produce higher returns over longer time horizons.

The table below summarizes the relationship between target policy asset mix and actual asset mix in 2007 and 2006.

Asset Mix (%)

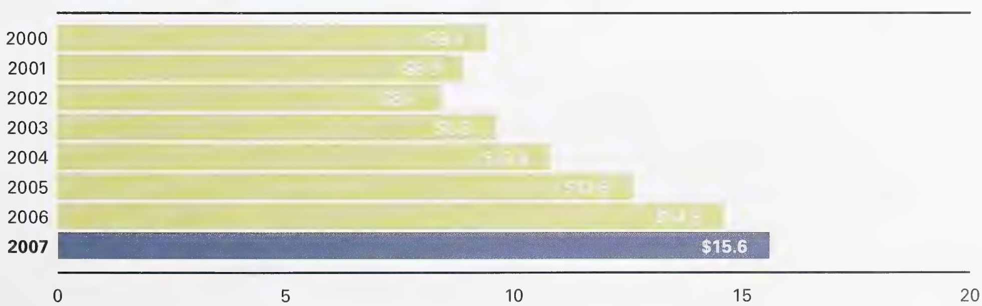
December 31, 2007

	Target Policy Asset Mix %	Actual 2007	Actual 2006
Risk Matching			
Cash & Short term	**0.5**	2.3	2.3
Universe Bonds	**8.0**	8.0	7.9
Long-term Bonds	**20.0**	20.6	18.2
Real Return Bonds	**5.0**	5.0	4.2
Private Income	**5.0**	2.4	1.9
Total	**38.5**	38.3	34.5
Short Horizon			
Canadian Equities	**15.0**	16.7	17.2
United States Equities	**7.5**	10.1	13.5
Non-North American Equities	**17.0**	17.1	19.2
Hedge Funds	**5.0**	4.5	4.0
Total	**44.5**	48.4	53.9
Long Horizon			
Real Estate	**10.0**	10.3	10.1
Private Equity	**5.0**	2.5	1.2
Timberland	**2.0**	0.5	0.3
Total	**17.0**	13.3	11.6
Total	**100.0**	100.0	100.0

For illiquid asset classes, such as private equities, private income and timberland investments, investment opportunities are not always readily available for purchase; therefore it takes some time to transition out of equities and into these private investments.

Market Value - Investments

($ Billions)



Management Discussion and Analysis - Investments

Investment Results

To evaluate performance and measure the value added by our investment managers from their active investment decisions, we compare our actual investment results to our investment policy benchmark. The benchmark return represents what we could reasonably expect to earn without active management if we invested in the market indices in proportion to our policy asset mix approved by the Board. Our investment managers strive to earn more than market returns by over or underweighting specific investments in relation to the indices.

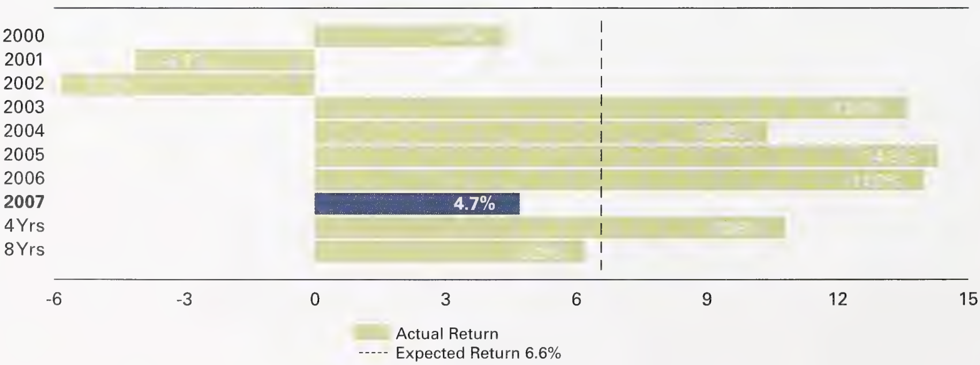
In 2007, the Plan earned a total fund return of 4.7%; 1.7% better than the investment policy benchmark return of 3.0%. In other words, our investment managers added approximately $250 million of value over the market returns in 2007. Over four years and eight years the Plan's investments earned annualized returns of 10.8% and 6.2% respectively, compared to the policy benchmark returns of 9.8% and 5.5%.

Compound Annualized Return (%)
Ending December 31, 2007

Years	1	2	3	4	8
Actual Return	4.7	9.2	10.9	10.8	6.2
Policy Benchmark	3.0	7.9	9.4	9.8	5.5
Value Added	1.7	1.3	1.5	1.0	0.7

For every one cent change in the U.S. dollar against the Canadian dollar, the value of the Plan's U.S. equity portfolio changes by approximately $16 million.

Annual Returns (%)



Risk Matching Investments

Risk matching investments are used to provide cash flow and liquidity to meet the Plan's financial obligations, and to match some liabilities for risk management purposes. Investments include cash and short-term investments, bonds and mortgages, long bonds, real return bonds and private income investments.

As at December 31, 2007, the Plan had approximately $6.0 billion or 38.3% of its total assets held in risk matching investments compared to $5.0 billion or 34.5% at the beginning of the year.

Risk matching investments are actively managed by AIM to generate extra returns over their respective benchmarks. Overall, these investments earned a return of 3.3% in 2007; 0.7% below the combined benchmark return of 4.0%.

The actual returns from these investments in comparison to the benchmark return are shown below.

Total Risk Matching* (%)

	Actual Return	Combined Benchmark**	Value Added
1 Year	3.3	4.0	-0.7

* The Risk Matching classification is new for 2007 (4 and 8 year returns are unavailable)
** The Combined Benchmark is a product of the weighted average policy weights and returns for the risk matching assets (cash, bonds, long bonds, real return bonds and private income).

Cash and Short Term (%)

	Actual Return	Benchmark DEX 91-Day T-Bill Index	Value Added
1 Year	6.2	4.4	1.8

Bonds and Mortgages (%)

	Actual Return	Benchmark DEX Universe Bond Index	Value Added
1 Year	2.5	3.7	-1.2

Long Government Bonds (%)

	Actual Return	Benchmark DEX Long Term Government Index	Value Added
1 Year	2.5	4.4	-1.9

Real Return Bonds (%)

	Actual Return	Benchmark DEX Real Return Bond Index	Value Added
1 Year	1.7	1.6	0.1

Private Income (%)

	Actual Return	Benchmark CPI + 6%	Value Added
1 Year	14.0	8.4	5.6

Short Horizon Investments

Short horizon investing focuses on trading in securities to produce value-added returns against the benchmark over shorter time horizons.

This asset class represents $7.5 billion or 48.4% of our total investments at December 31, 2007 compared to $7.9 billion or 53.9% at the beginning of the year. Short horizon securities include publicly traded equities in Canada, the U.S. and outside North America plus hedge funds.

Overall, short horizon investments earned a return of 2.1% in 2007; 3.2% greater than the combined benchmark return of -1.1%.

Total Short Horizon* (%)

	Actual Return	Combined Benchmark**	Value Added
1 Year	2.1	-1.1	3.2

* The Short Horizon classification is new for 2007 (4 and 8 year returns are unavailable)
** The Combined Benchmark is a product of the weighted average policy weights and returns for the short horizon assets (Canadian, U.S., non-North American equities and hedge funds).

Management Discussion and Analysis - Investments

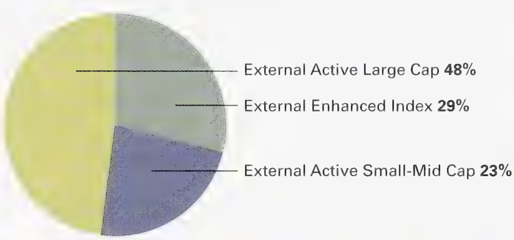
Canadian Public Equities

At December 31, 2007, Canadian equities represented $2.6 billion or 16.7% of our total investments compared to $2.5 billion or 17.2% at the beginning of the year.

External investment advisors manage Canadian equities through several pooled investment funds, including enhanced index, active mandates and "large" and "small" capitalization companies.

The actual return from Canadian equity investments in 2007 was 12.0%; 3.9% greater than the benchmark return of 8.1%.

Summary of Canadian Equity Holdings



Canadian Public Equities (%)	Actual Return	Combined Benchmark Index S&P/TSX Capped Composite & NB Small Cap Indices	Value Added
1 Year	12.0	8.1	3.9

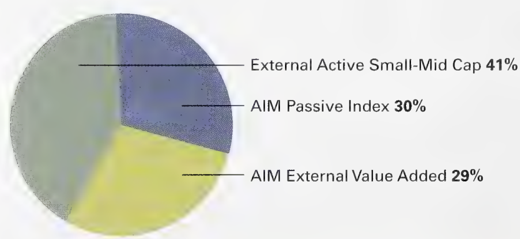
U.S. Public Equities

At December 31, 2007, U.S. public equities comprised $1.6 billion or 10.1% of the Plan's total investments compared to $2.0 billion or 13.5% at the beginning of the year.

Passive index strategies, managed directly by AIM, comprise 30% of the U.S. equity portfolio. Small-mid cap strategies actively managed by external investment advisors comprise 41% and valued added strategies comprise 29%.

The Plan's actual return from U.S. equity investments in 2007 was -7.9%. This is 4.0% better than the benchmark return of -11.9%, as measured in Canadian dollars.

Summary of United States Equity Holdings



U.S. Public Equities (%)	Actual Return	Combined Benchmark Index S&P 500 & Russell 2500 Indices	Value Added
1 Year	-7.9	-11.9	4.0

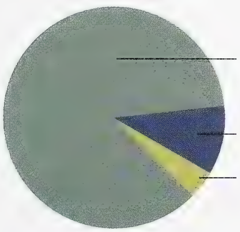
Non-North American Public Equities

At December 31, 2007, the Plan's non-North American public equity investments totaled $2.7 billion or 17.1% of total investments compared to $2.8 billion or 19.2% at the beginning of the year.

To provide geographic diversification and to capture investment opportunities globally, the Plan invests outside of North America, primarily in Europe, Australasia, and the Far East (EAFE), using both active and passive strategies in developed and emerging stock markets.

In 2007, the Plan's actual return from non-North American equity investments was -2.6%; 3.1% better than the benchmark return of -5.7%, as measured in Canadian dollars.

Summary Of Non-North American Equity Holdings



Non-North American Public Equities (%)

	Actual Return	Benchmark Index MSCI EAFE Index	Value Added
1 Year	-2.6	-5.7	3.1

Hedge Funds

At December 31, 2007, hedge funds comprised $700 million or 4.5% of the Plan's total investment portfolio compared to $580 million or 4.0% at the beginning of the year. This class of externally managed investments encompasses a wide variety of strategies with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities.

In 2007, hedge funds returned 9.4%; 1.0% greater than the policy benchmark of 8.4%, as measured in Canadian dollars.

Hedge Funds (%)

	Actual Return	Benchmark Index CPI + 6%	Value Added
1 Year	9.4	8.4	1.0

Overlays* (%)

	Actual Return
1 Year	-6.2

* Overlays include Currency Alpha Pool and Tactical Asset Allocation Pool; no benchmark is assigned to Overlays

Long Horizon Investments

Long horizon investments focus on assets that are less liquid and are expected to produce higher returns over longer time horizons. Long horizon investments include real estate, private equities and timberland.

Overall, long horizon investments earned a return of 19.0% in 2007; 3.9% greater than the combined benchmark return of 15.1%.

Total Long Horizon* (%)

	Actual Return	Combined Benchmark**	Value Added
1 Year	19.0	15.1	3.9

* The Long Horizon classification is new for 2007 (4 and 8 year returns are unavailable)

** The Combined Benchmark is a product of the weighted average policy weights and returns for the long horizon assets (real estate, private equity and timberland).

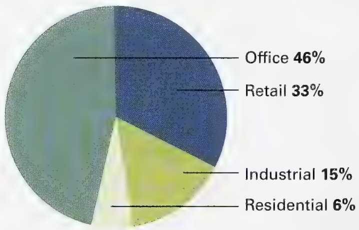
Real Estate

As at December 31, 2007, real estate investments comprised $1.6 billion or 10.3% of total investments compared to $1.5 billion or 10.1% at the beginning of the year.

We invest in real estate for diversification and protection from inflation. Our real estate portfolio includes a mix of retail, office, residential and industrial properties. The focus is on quality properties featuring strong locations and tenants.

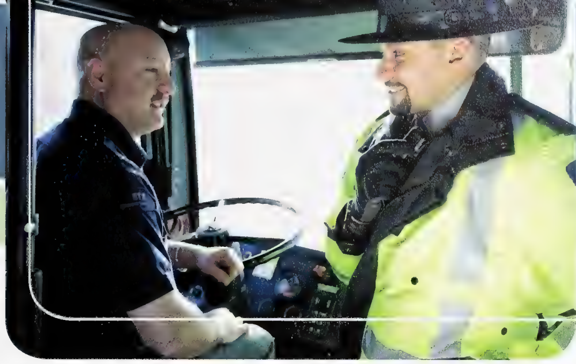
In 2007, real estate returned 20.8%; 4.1% better than the benchmark return of 16.7%.

Real Estate



Real Estate (%)

	Actual Return	Benchmark Index IPD Large Institutional All Property Index	Value Added
1 Year	20.8	16.7	4.1



Private Equities

At December 31, 2007 private equity investments comprised $390 million or 2.5% of the Plan's total investment portfolio compared to $170 million or 1.2% the previous year. Private equities include primarily buyout investments. Buyout investments include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions.

In 2007, private equities returned 4.2%; 6.2% below the policy benchmark of 10.4%.

Private Equities (%)

	Actual Return	Benchmark Index CPI + 8%	Value Added
1 Year	4.2	10.4	-6.2

Timberland

At December 31, 2007, timberland investments comprised $72 million or 0.5% of the Plan's total investment portfolio compared to $50 million or 0.3% the previous year.

Timberland investments are located primarily in Canada with a smaller investment outside of Canada. The Canadian timberland investment includes an interest in a limited partnership which includes forestry land and land held for more profitable use located in British Columbia.

The return of 59.0% in 2007 resulted from the increased valuation of land held for more profitable use.

Timberland (%)

	Actual Return	Benchmark Index CPI + 4%	Value Added
1 Year	59.0	6.4	52.6

Investment Expenses

Investment services provided by AIM and external managers include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. The Department of Finance of the Government of Alberta provides treasury management services and investment accounting and reporting for the Plan.

Investment expenses as a percentage of net assets are provided below:

	2007	2006 ($ millions)
Investment operations of Alberta Finance*	$ 6.5	$ 4.9
External manager fees	51.1	40.0
Total investment expenses	$ 57.6	$ 44.9
Investment expenses as a percentage of net assets	0.37%	0.31%

* Effective January 1, 2008, the investment operations of the Department of Finance were transferred to AIMCo.

Outlook

Difficulties in global credit markets, evident since the middle of 2007, will hamper global growth prospects through 2008. Globally, financial institutions have been impacted in two ways. First, they have taken losses on assets held directly on their books. Second, the rapid reduction in the willingness of non-banks to hold risky assets has forced financial institutions to hold more loans than they would otherwise have expected. This process limits the financial sector's ability and/or willingness to extend new credit to businesses and households for investment and consumption. This limitation could lead to a reduction in global growth through 2008.

The United States housing market was the root of the global financial difficulties in 2007. There remains an oversupply of housing, suggesting that U.S. residential investment will remain weak through 2008. The constraints on the financial system will likely hamper nonresidential investment through the year and will likely also put downward pressure on the U.S. consumer. Weaker U.S. and global growth suggests a high likelihood of slower growth in Canada, with downward pressure on commodity prices.

Slower growth suggests downward pressure on corporate profit growth. Financial markets have already responded to this likelihood by selling off sharply in early 2008. While equity markets will respond positively when there is the appearance that the worst of the economic news is known, markets will likely remain volatile through the first half of 2008, at a minimum. Interest rates, already lower as central banks attempt to counter the constraints on the global financial system, will also remain choppy. In 2008, we expect further interest rate cuts from both the U.S. Federal Reserve Board and the Bank of Canada.

The disruption in the global credit markets has tightened real estate lending requirements in North America and Europe, putting moderate leverage investors in a better position to secure deals at improved pricing. In Asia, real estate markets appear positioned for further growth driven by rapidly growing investor interest, a ready supply of debt capital and strengthening fundamentals. In the last few years, real estate has provided good returns to investors and in general institutional investors are increasing their allocations to real estate. This said, while these favorable market conditions may continue, there are signs it is a time to be defensive, patient and disciplined.

LAPP Member Jeff Murray

Management Discussion and Analysis - Benefit Administration

Alberta Pensions Administration Corporation (APA) works with LAPP to collect member data and contributions, calculate and pay pension benefits, maintain membership records, provide information to the Board, and communicate pension information to members, pensioners and employers.

To this end, important administrative changes in 2007 included:

- **Reciprocal Transfer Agreements.** These agreements make it easier for members to take their pension with them or to transfer to another plan when they move between organizations or provinces. For further information on these agreements, visit the LAPP website at www.lapp.ab.ca.

- **Call Centre Improvement Project.** This project involved employee training and technological improvements to the Member Service Centre to better respond to the anticipated increase in pension inquiries due to the retirement of the baby boomer generation.

- **Deferred member statements.** In 2007, members who had left their employer but had chosen to leave their pension with LAPP were issued annual statements for the first time.

- **Corporate reorganization and strategic planning.** In order to effectively manage the anticipated growth in pensioner numbers (due to the retirement of the baby boomer generation) a long-term view of operations was developed, which translated into a reorganization of APA. A Five-year Strategic Plan was also developed to better utilize available technology and employee expertise to deliver proactive, responsive, and client-focused service to members, employers and plan governors.

Contributions to LAPP

In 2007, total contributions to LAPP were $930 million.

	2007		2006	
	$ millions	**%**	$ millions	%
Employer Contributions	**$ 476**	**51**	$ 436	52
Member Contributions	**437**	**47**	392	47
Transfers from other Plans	**17**	**2**	7	1
Total	**$ 930**		$ 835	

Payments from LAPP

In 2007, total payments from LAPP were $680 million.

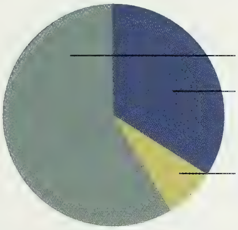
	2007		2006	
	$ millions	**%**	$ millions	%
Pension Benefits	**$ 467**	**68**	$ 429	72
Refunds to Members	**188**	**28**	142	24
Transfers to other Plans	**8**	**1**	7	1
Plan Expenses*	**17**	**3**	17	3
Total	**$ 680**		$ 595	

* Includes APA operating costs, Board and plan-specific costs.

LAPP Members, Pensioners, Employers

LAPP serves 407 employers and a total of 179,188 active and deferred members and pensioners. In 2007, 22,546 people joined LAPP, 2,802 LAPP members retired and 13,207 people terminated (includes members who chose to keep their benefits in LAPP and members who withdrew their benefit entitlements).

Members, Pensioners, Employers



LAPP Administrative Expenses

APA's costs are distributed among the public sector pension plans it serves. LAPP's per member costs are based on a cost-share formula, which allocates APA's operating costs among the pension plans according to a formula determined by the Minister of Finance.

APA costs allocated to LAPP were $15.4 million in 2007, or $89 per LAPP member, based on an average membership of 173,761 members.

Communication and Education Services

LAPP members and employers were provided with a number of tools in 2007 that make it easier for them to understand, manage and access information about their pensions.

LAPP members were provided with member statements with an updated users' guide, given the opportunity to attend information seminars, and sent welcome packages if they were new to the plan.

Employers in LAPP were sent the monthly electronic employer newsletter, *Pension e-news*, which continued to give them up-to-date and easy access to pension information. *Pension e-guide*, the electronic manual for employers, was launched in its entirety in 2007, providing employers a consistent, online information source for administration issues.

Plan members and other interested persons are visiting the LAPP website in increasing numbers. Just over 53,900 hits were made on the site in 2007, compared with approximately 44,850 hits in 2006. Members continue to take advantage of the pension estimator function and access their personal pension information through the secure *mypensionplan* site.

Please refer to www.apaco.ab.ca for additional information on APA's activities.

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Financial Statements

December 31, 2007

Management's Responsibility for Financial Reporting

The Local Authorities Pension Plan (Plan) financial statements and financial information in the 2007 Annual Report are the responsibility of the Minister of Finance and Enterprise. Certain of these responsibilities are undertaken on behalf of the Minister of Finance and Enterprise by:

- Alberta Investment Management (AIMCo), the investment operation of Alberta Finance and Enterprise, which is only responsible for the management of assets, subject to legislation and to the investment policies and goals approved by the Plan Board;
- Alberta Pensions Administration Corporation (APA), which is only responsible for administration of the Plan under an Administrative Services Agreement with the Minister of Finance and Enterprise; and
- Alberta Local Authorities Pension Plan (ALAPP) Corp., which is only responsible for Plan strategy and Board support.

The information in the Annual Report has been approved by the Plan Board. The financial statements were approved by the Deputy Minister of Finance and Enterprise, based on information provided by APA, Alberta Local Authorities Pension Plan Corp. and the Plan's actuary, and after consultation with the Plan's Board of Trustees.

The financial statements have been prepared by Alberta Finance and Enterprise in conformity with Canadian generally accepted accounting principles and, of necessity, includes some amounts that are based on estimates and judgments. Financial information presented in the 2007 Annual Report that relates to the operations and financial position of the Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance and Enterprise, APA, ALAPP and AIMCo each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure. These systems are designed to provide management of these entities with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of the financial statements.

March 28, 2008

Robert Bhatia

Robert Bhatia
Deputy Minister of Finance and Enterprise

Auditor's Report

AUDITOR GENERAL
Alberta

To the Minister of Finance and Enterprise and The Local Authorities Pension Plan Board of Trustees

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Local Authorities Pension Plan (the Plan) as at December 31, 2007 and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2007 and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
March 28, 2008

Statement of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 2007

	2007	2006
	($ thousands)	
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	**$ 15,566,024**	$ 14,615,134
Contributions receivable (Note 6)	**34,114**	31,759
Accrued investment income and accounts receivable	**2,110**	4,461
	15,602,248	14,651,354
Liabilities		
Accounts payable	**14,382**	6,305
Net assets available for benefits	**15,587,866**	14,645,049
Accrued Benefits		
Actuarial value of accrued benefits	**16,771,200**	15,391,700
Deficiency	**$ (1,183,334)**	$ (746,651)

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2007

	2007	2006
	($ thousands)	
Increase in assets		
Contributions (Note 7)	**$ 929,571**	$ 834,972
Net investment income (Note 8)		
Investment income	**750,942**	1,831,051
Investment expenses	**(57,616)**	(44,952)
	693,326	1,786,099
	1,622,897	2,621,071
Decrease in assets		
Pension benefits	**466,880**	429,125
Refunds to members	**187,637**	142,388
Transfers to other plans	**8,178**	7,078
Plan expenses (Note 9)	**17,385**	16,573
	680,080	595,164
Increase in net assets	**942,817**	2,025,907
Net assets available for benefits at beginning of year	**14,645,049**	12,619,142
Net assets available for benefits at end of year	**$ 15,587,866**	$ 14,645,049

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Accrued Benefits

For the year ended December 31, 2007

	2007	2006
	($ thousands)	
Increase in accrued benefits		
Interest accrued on benefits	$ 1,073,000	$ 948,100
Benefits earned	725,200	680,100
Changes in actuarial assumptions (Note 10 (a))	123,200	801,200
Net experience losses (Note 10 (a))	125,400	69,200
	2,046,800	2,498,600
Decrease in accrued benefits		
Benefits paid including interest	667,300	589,600
Net increase in accrued benefits	1,379,500	1,909,000
Accrued benefits at beginning of year	15,391,700	13,482,700
Accrued benefits at end of year (Note 10)	$ 16,771,200	$ 15,391,700

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Deficiency

For the year ended December 31, 2007

	2007	2006
	($ thousands)	
Deficiency at beginning of year	**$ (746,651)**	$ (863,558)
Increase in net assets available for benefits	**942,817**	2,025,907
Net increase in accrued benefits	**(1,379,500)**	(1,909,000)
Deficiency at end of year	**$ (1,183,334)**	$ (746,651)

The accompanying notes and schedules are part of these financial statements.

Note 1 Summary Description of the Plan

The following description of the Local Authorities Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 366/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, regional health authorities, school divisions, school districts, colleges, technical institutes and certain commissions, foundations, agencies, libraries, corporations, associations and societies. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0216556. The Minister of Finance acts as trustee for the Plan.

(b) Plan Funding

Current service costs and the Plan's actuarial deficiency (see Note 11) are funded by employers and employees at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 2007 were 6.75% (2006: 6.75%) of pensionable earnings up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 9.64% (2006: 9.64%) of the excess for employees, and 7.75% (2006: 7.75%) of pensionable earnings up to the YMPE and 10.64% (2006: 10.64%) of the excess for employers.

The rates were reviewed by the Board in 2007 and are to be reviewed at least once every three years based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the federal *Income Tax Act*. The maximum service allowable under the Plan is 35 years. Unreduced pensions are payable to members at retirement who have attained age 65, or have attained age 55 and the sum of their age and years of service equals at least 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of service.

(d) Disability Benefits

Pensions may be payable to members who become totally disabled and retire early with at least two years of membership. Reduced pensions may be payable to members who become partially disabled and retire early with at least two years of membership.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least two years of service, a surviving pension partner may choose to receive a survivor pension. For a beneficiary other than a pension partner, or where service is less than two years, a lump sum payment will be made.

Note 1 Summary Description of the Plan (continued)

(f) Termination Benefits and Refunds to Members

Members who terminate with at least two years of membership and who are not immediately entitled to a pension may receive the commuted value for all earned service, contributions paid in respect of optional service with interest, plus excess contributions if applicable, with the commuted value being subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with fewer than two years of membership receive a refund of their contributions and interest. These payments are included as Refunds to members on the Statement of Changes in Net Assets Available for Benefits.

(g) Optional Service and Reciprocal Transfers

All optional service purchases are to be cost-neutral to the Plan.

The actuarial present value of pension entitlements is paid when service is transferred out of the Plan under a transfer agreement. The cost to recognize service transferred into the Plan under a transfer agreement is the actuarial present value of the benefits that will be created as a result of the transfer.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds is explained in the following paragraphs:

(i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

(iii) The fair value of private equity and income investments is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple earnings analyses.

(iv) Private real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised semi-annually by qualified external real estate appraisers using a combination of methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models.

(v) The fair value of Absolute Return Strategy Pool investments is estimated by external managers.

(vi) The fair value of timberland investments is appraised annually by independent third party valuators.

(vii) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Investment income and expenses are recognized on the accrual basis. Dividends are accrued on the ex-dividend date. Gains or losses on all investments, including those from derivative contracts, are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

(v) Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

(vi) Swap option contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

(f) Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the calculation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's private and alternative investments, absolute return strategies, and real estate investments. Uncertainty arises because:

(i) the Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits, and

(ii) the estimated fair values of the Plan's private and alternative investments, absolute return strategies, and real estate investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the calculation of the Plan's accrued benefits and in the valuation of the Plan's private and alternative investments, absolute return strategies, and real estate investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in accrued benefits in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized are included in net investment income in the year when the ultimate realizable values are known.

Note 3 Investments (Schedules A to E)

	2007 Fair Value ($ thousands)	2007 %	2006 Fair Value ($ thousands)	2006 %
Risk Matching				
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	**$ 330,358**	**2.1**	$ 253,109	1.7
Canadian Long Term Government Bond Pool (b)	**3,207,047**	**20.6**	2,664,300	18.2
Universe Fixed Income Pool (b)	**625,025**	**4.0**	714,449	4.9
Real rate of return bonds (c)	**776,295**	**5.0**	615,007	4.2
Private Mortgage Pool (d)	**626,156**	**4.0**	433,098	3.0
Currency Alpha Pool (e)	**20,253**	**0.1**	34,653	0.3
Tactical Asset Allocation Pool (f)	**24,034**	**0.1**	50,219	0.3
	5,609,168	**35.9**	4,764,835	32.6
Private Income Pools (g)	**374,054**	**2.4**	277,266	1.9
	5,983,222	**38.3**	5,042,101	34.5
Short Horizon				
Canadian Equities (Schedule B)				
Canadian Large Cap Equity Pool (h)	**1,251,085**	**8.0**	1,314,274	9.0
Canadian Equity Enhanced Index Pool (i)	**737,260**	**4.7**	740,665	5.1
Canadian Small Cap Equity Pool (h)	**598,763**	**3.8**	632,963	4.3
Private Equity Pool	**8,392**	**0.1**	32,295	0.2
Tactical Asset Allocation Pool: futures contracts (f)	**-**	**-**	(202,077)	(1.4)
	2,595,500	**16.7**	2,518,120	17.2
United States Equities (Schedule C)				
U.S. Structured Equity Pool (j)	**464,019**	**3.0**	719,693	4.9
U.S. Small/Mid Cap Equity Pool (k)	**644,193**	**4.1**	580,953	4.0
Portable Alpha U.S. Pool (l)	**458,594**	**3.0**	463,124	3.2
Tactical Asset Allocation Pool: futures contracts (f)	-	-	202,077	1.4
	1,566,806	**10.1**	1,965,847	13.5
Non-North American Equities (Schedule D)				
EAFE Active Equity Pool (m)	**2,277,375**	**14.6**	2,236,374	15.3
Emerging Markets Equity Pool (n)	**103,844**	**0.7**	163,768	1.1
EAFE Structured Equity Pool (o)	**273,186**	**1.8**	411,736	2.8
	2,654,405	**17.1**	2,811,878	19.2
Absolute Return Strategy Pool (p)	**702,939**	**4.5**	579,942	4.0
	7,519,650	**48.4**	7,875,787	53.9
Long Horizon				
PrivateReal Estate Pool (q) (Schedule E)	**1,605,600**	**10.3**	1,473,690	10.1
Private equities (r)	**385,825**	**2.5**	173,184	1.2
Timberland Pool (s)	**71,727**	**0.5**	50,372	0.3
	2,063,152	**13.3**	1,697,246	11.6
Total Investments	**$ 15,566,024**	**100**	$ 14,615,134	100

Note 3 Investments (Schedules A to E) (continued)

The Plan's investments are classified into three broad categories which include risk matching, short and long horizon investments. Risk matching assets contain predictable cash flows to better match liability flows. Short horizon investments focuses on value added returns against benchmarks over short time horizons. Long horizon investments include less liquid assets that produce expected returns with high risk premiums.

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Long Term Government Bond Pool (CLGB) and the Universe Fixed Income Pool (UFIP) are managed with the objectives of providing competitive returns comparable to the total returns of the DEX Long Term All Government Bond Index and the DEX Universe Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The CLGB portfolio invests primarily in high quality fixed income instruments of the federal, provincial and municipal governments of Canada while the UFIP portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. The pool primarily invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.

(f) The Tactical Asset Allocation Pool provides participants with a quick, effective and efficient way to earn excess returns, on an opportunistic basis, by altering the portfolio weights of broad asset classes using synthetic instruments. At December 31, 2007, the Pool is comprised of cash and fixed income securities and a neutral position through United States equity index futures. Cash and short-term securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in United States equity index futures contracts.

(g) The Private Income Pools are managed with the objectives of providing investment returns comparable to the Consumer Price Index plus 6%. The Private Income Pools invest in infrastructure related projects that are structured to yield high current income. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single partnership.

Note 3 Investments (Schedules A to E) (continued)

(h) The Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to invest in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(i) The Canadian Equity Enhanced Index Pool consists of publicly traded Canadian equities in the large cap market and is designed to generate a consistent level of investment return above the total return of the S&P/TSX Composite Index over a four-year period with relatively low risk.

(j) The U.S. Structured Equity Pool is passively managed. The portfolio is comprised of publicly traded United States equities similar in weights to the S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pool utilizes a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pool also invests in futures, swaps and other structural investments. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(k) The U.S. Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities actively managed by an external manager with expertise in the U.S. small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility.

(l) The Portable Alpha U.S. Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the total return of the S&P 500 Index over a four-year period.

(m) The EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded Non-North American equities. Portfolios are actively managed with European and Pacific Basin mandates. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.

(n) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.

(o) The EAFE Structured Equity Pool Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The Pool provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

Note 3 Investments (Schedules A to E) (continued)

(p) The Absolute Return Strategy Pool is managed with the objective of providing investment returns comparable to the Hedge Fund Research (HFRX) Global Investable Index. The pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.

(q) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

(r) Foreign Private Equity Pools are managed with the objectives of providing investment returns comparable to the Consumer Price Index plus 8%. The Foreign Private Equity Pool invests in institutionally sponsored international private equity pools managed by experienced advisors with proven records.

(s) The Timberland Pool provides high current income and long investment horizons. The timberland investment is primarily a partnership interest in forestry land and land held for higher and better use located in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0%.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long-term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a long-term policy asset mix of 38.5% risk matching, 44.5% short horizon and 17.0% long horizons. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives. Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5 Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counterparties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. A credit default swap allows counterparties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counterparty to a second counterparty in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counterparties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps and leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of the specified stock index.

Swap option contracts include the right but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2007:

Note 5 Derivative Contracts (continued)

	2007					2006	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value*	Notional Amount	Net Fair Value*
		%			($ thousands)		
Forward foreign exchange contracts	100	-	-	$ 1,911,124	$ 11,948	$ 1,829,863	$ (19,937)
Equity index swap contracts	95	5	-	1,117,064	(18,648)	1,416,623	40,023
Credit default swap contacts	2	22	76	670,734	(2,018)	408,346	637
Bond index swap contracts	100			542,766	4,044	204,976	1,176
Interest rate swap contracts	6	14	80	401,881	(1,763)	635,831	(574)
Equity index future contracts	100	-	-	396,514	12,457	856,531	28,927
Swap option contracts	52		48	357,769	68	660,555	(482)
Cross-currency interest rate swaps	20	50	30	233,334	10,228	321,275	10,780
				$ 5,631,186	$ 16,316	$ 6,334,000	$ 60,550

* The method of determining fair value of derivative contracts is described in Note 2 (e).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). Credit exposure is limited by dealing with counter-parties with good credit standing.

Note 6 Contributions Receivable

	2007	2006
	($ thousands)	
Employers	$ 18,057	$ 16,744
Employees	16,057	15,015
	$ 34,114	$ 31,759

Note 7 Contributions

	2007	2006
	($ thousands)	
Current and optional service		
Employers	**$ 475,593**	$ 435,722
Employees*	**437,352**	392,214
Transfers from other plans	**16,626**	7,036
	$ 929,571	$ 834,972

* Includes $16,697 (2006: $13,881) of optional service contributions.

Note 8 Net Investment Income

(a) Investment Income

Net investment income is comprised of the following:

	2007	2006
	($ thousands)	
Investment income		
Net realized and unrealized gains on investments, including those arising from derivative transactions	**$ 222,422**	$ 1,365,737
Interest income	**293,889**	252,838
Dividend income	**160,794**	141,454
Real estate income	**66,254**	66,180
Securities lending income	**7,583**	4,842
	750,942	1,831,051
Investment expenses	**(57,616)**	(44,952)
	$ 693,326	$ 1,786,099

Note 8 Net Investment Income (continued)

(a) Investment Income (continued)

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2007	2006
	($ thousands)	
Canadian equities	**$ 308,365**	$ 404,511
Real estate	**291,216**	261,447
Bonds and mortgages	**115,944**	168,952
Hedge funds	**56,580**	51,241
Private income	**45,473**	48,322
Timberland	**28,544**	2,085
Money market	**12,929**	10,569
Real return bonds	**13,610**	(18,009)
Private equities	**12,026**	21,982
Non-North American equities	**(62,413)**	600,936
United States equities	**(128,948)**	234,063
	$ 693,326	$ 1,786,099

The following is a summary of the investment performance results attained by the Plan:

	One Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return
Time-weighted rates of return*			
Overall actual return	4.7%	10.8%	6.2%
Benchmark return**	3.0%	9.8%	5.5%

* The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

** The policy benchmark return is a product of the weighted average policy sector weights and sector returns.

Note 8 Net Investment Income (continued)

(b) Investment Expenses

On January 1, 2008, the investment operations of the Department of Finance were transferred to Alberta Investment Management Corporation (AIMCo). AIMCo is a crown corporation and part of the Ministry of Finance. It provides the day to day investment services for the Plan's investment portfolio. AIMCo invests the assets for the long-term benefit of the Plan's membership and in accordance with the investment policies approved by the Board. AIMCo manages the majority of the Plan's investments internally through pooled investment funds. However, in order to achieve greater diversification, access external expertise and specialized knowledge and to reduce operational complexity, some investments are managed by third party investment managers selected and monitored by AIMCo.

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income for the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by the Plan and its share of expenses through pool investment funds. Investment services provided by AIMCo are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized.

Investment services provide by AIMCo and external managers include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. The Department of Finance provides investment accounting and reporting for the Plan and treasury management services.

Investment expenses as a percentage of net assets are provided below:

	2007	2006
	($ thousands)	
Investment operations of Alberta Finance*	**$ 6,514**	$ 4,945
External manager fees	**51,102**	40,007
Total investment expenses	**$ 57,616**	$ 44,952
Investment expenses as a percentage of net assets	**0.37%**	0.31%

* On January 1, 2008, the investment operations of the Department of Finance were transferred to AIMCo.

Note 9 Plan Expenses

	2007	2006
	($ thousands)	
General administration costs and process improvement costs		
Alberta Pensions Administration Corporation (APA)	**$ 15,385**	$ 14,471
Alberta Local Authorities Pension Plan Corp.	**1,759**	1,910
Actuarial fees	**241**	192
	$ 17,385	$ 16,573

General administration costs and process improvement costs, including Plan Board costs were paid to Alberta Pensions Administration Corporation and Alberta Local Authorities Pension Plan Corp. on a cost-recovery basis.

The Plan's share of the Alberta Pensions Administration Corporation's operating and plan specific costs was based on cost allocation policies approved by the Minister of Finance.

Investment management costs were paid to Alberta Finance on a cost recovery basis to manage the Plan's investment portfolio. Pooled funds management and associated investment expenses totalling $57,616 (2006: $44,952) (see Note 8), which have been included in calculating net investment income, are excluded from plan expenses.

Alberta Local Authorities Pension Plan Corp. costs include remuneration to senior officials as follows:

	2007	2006
	($ thousands)	
Chief Executive Officer		
Salary and bonus	**$ 218**	$ 182
Benefits*	**47**	43
Vice-President, Policy and Legal		
Salary and bonus	**166**	140
Benefits*	**30**	27
Vice-President, Investments**		
Salary and bonus	**60**	170
Benefits*	**22**	32
	$ 543	$ 594

* Includes employer's contribution to the Management Employees Pension Plan and the Supplementary Retirement Plan for 2007.

** The position was discontinued after the first 3 months in 2007.

Note 9 Plan Expenses (continued)

Total Plan expenses, including pooled funds management and associated investment expenses amounted to $432 per member (2006: $375 per member).

Pooled funds management and associated investment expenses amounted to $331 per member (2006: $274 per member). These expenses, which have been deducted in arriving at net investment income of the pools, are included in the determination of investment returns for the Plan (see Note 8).

Total Plan expenses including pooled funds management and associated investment expenses amounted to 0.48% (2006: 0.42%) of assets under administration.

Note 10 Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2006 by Mercer Human Resource Consulting and was then extrapolated to December 31, 2007. The 2006 valuation was completed after the financial statements of the Plan for 2006 were released. As a result, the differences between the actuarial valuation results and extrapolation results for 2006 are accounted for as assumption changes and net experience losses in 2007.

The following is a summary of actuarial assumption changes and net experience losses as revealed in the 2006 valuation and reported in 2007:

	2007	2006
	($ thousands)	
Changes in actuarial assumptions		
Change in the investment rate of return, inflation, and salary escalation assumptions	**$ 123,200**	$ 801,200
Net experience losses (gains)		
Combined salary, YMPE increases and indexation were other than assumed	**83,100**	43,300
Retirement, termination, disability and mortality experiences were less favorable than assumed	**13,500**	35,900
Cost-of-living increase in pension benefit payments was other than expected, prior service data and other changes	**28,800**	(10,000)
	$ 125,400	$ 69,200

Actuarial valuations were determined using the projected benefit method pro-rated on service. The assumptions used in the actuarial valuations and extrapolations were developed as the best estimates of expected market conditions and other future events. These estimates were, after consultation with the Plan's actuary and the Board of Trustees, adopted by Alberta Finance.

Note 10 Accrued Benefits (continued)

(a) Actuarial Valuation (continued)

The major assumptions used were:

	2006 Valuation and 2007 Extrapolation	2005 Valuation and 2006 Extrapolation
	%	
Investment rate of return	**6.55**	6.30
Inflation rate		
Next 3 years	**4.75**	2.75
Thereafter	**2.75**	2.75
Salary escalation rate*		
Next 3 years	**5.50**	3.50
Thereafter	**3.50**	3.50

* In addition to merit and promotion.

The Board of Trustees' policy is to have an actuarial valuation of the Plan carried out every year. As a result, an actuarial valuation of the Plan as at December 31, 2007 will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2008.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2007:

	Changes in Assumptions %	Increase in Plan Deficiency ($ million)	Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 1,121	0.8%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	664	0.9%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	2,646	2.7%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2006 valuation was 12.85%.

Note 11 Funding of Actuarial Deficiency

The Plan's deficiency is determined on the fair value basis for accounting purposes. However for funding valuation and extrapolation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset value for funding valuation and extrapolation purposes amounted to $15,360 million at December 31, 2007 (2006: $13,919 million).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 2.95% of pensionable earnings shared equally between employers and employees until December 31, 2020. The special payments have been included in the rates in effect at December 31, 2007 (see Note 1(b)).

Note 12 Remuneration of Board Members

Remuneration paid with respect to a total of 14 Board members during the year amounted to $138 (2006: $125).

Note 13 Comparative Figures

Comparative figures have been reclassified to be consistent with 2007 presentation.

Note 14 Responsibility for Financial Statements

These financial statements were approved by the Deputy Minister of Finance, based on information provided by Alberta Pensions Administration Corporation, Alberta Local Authorities Pension Plan Corp. and the Plan's actuary, and after consultation with the Local Authorities Pension Plan Board of Trustees.

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Schedules

December 31, 2007

Schedule A
Schedule of Investments in Fixed Income Securities

December 31, 2007

	Plan's Share 2007	2006
	($ thousands)	
Deposits and short-term securities	**$ 375,079**	$ 322,659
Fixed income securities (a) (b)		
Government of Canada, direct and guaranteed	**1,405,971**	1,433,367
Provincial		
Alberta, direct and guaranteed	**187**	272
Other Provincial, direct and guaranteed	**1,984,612**	1,701,455
Municipal	**68,405**	14,209
Corporate, public and private	**1,728,298**	1,259,605
	5,187,473	4,408,908
Receivable from sale of investments and accrued investment income	**51,530**	35,365
Liabilities for investment purchases	**(4,914)**	(2,097)
	46,616	33,268
	$ 5,609,168	$ 4,764,835

(a) Reflects the Plan's effective investments in fixed income securities, after taking into account the Plan's proportionate share of Canadian bond index swap contracts held by pooled funds (see Note 5).

(b) Fixed income securities held as at December 31, 2007 had an average effective market yield of 6.0% per annum (2006: 4.8% per annum). The following term structure of these securities as at December 31, 2007 is based on the principal amount:

	2007	2006
	%	
under 1 year	**1**	1
1 to 5 years	**6**	8
6 to 10 years	**19**	17
11 to 20 years	**18**	19
over 20 years	**56**	55
	100	100

Schedule B
Schedule of Effective Net Investments in Canadian Equities

December 31, 2007

	Plan's Share 2007	2006
	($ thousands)	
Deposits and short-term securities	**$ 49,530**	$ 46,567
Public equities (a) (b)		
Consumer discretionary	**209,342**	174,582
Consumer staples	**84,616**	86,340
Energy	**503,284**	507,842
Financials	**604,910**	673,062
Health care	**11,326**	17,134
Industrials	**259,573**	274,890
Information technology	**116,117**	128,281
Materials	**341,185**	386,525
Telecommunication services	**113,586**	156,927
Utilities	**32,516**	18,984
	2,276,455	2,424,567
Passive Index	**246,931**	10,649
	2,523,386	2,435,216
Private Equity Pool	**8,392**	32,295
Receivable from sale of investments and accrued investment income	**34,335**	9,550
Liabilities for investment purchases	**(20,143)**	(5,508)
	14,192	4,042
	$ 2,595,500	$ 2,518,120

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of Canadian equity index swap and futures contracts totalling $433 (2006: $229,940).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule C
Schedule of Effective Net Investments in United States Equities

December 31, 2007

	Plan's Share 2007	Plan's Share 2006
	($ thousands)	
Deposits and short-term securities	**$ 32,545**	$ 18,681
Public equities (a) (b)		
Consumer discretionary	**155,758**	227,037
Consumer staples	**121,336**	141,649
Energy	**159,033**	165,395
Financials	**266,101**	410,996
Health care	**204,957**	247,055
Industrials	**191,926**	244,386
Information technology	**249,791**	308,383
Materials	**79,981**	76,429
Telecommunication services	**42,311**	52,664
Utilities	**72,059**	66,751
	1,543,253	1,940,745
Passive Index	**10,785**	2,088
	1,554,038	1,942,833
Receivable from sale of investments and accrued investment income	**5,724**	11,401
Liabilities for investment purchases	**(25,501)**	(7,068)
	(19,777)	4,333
	$ 1,566,806	$ 1,965,847

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in United States public equities includes the notional amount of U.S. equity index swap and futures contracts totalling $821,596 (2006: $1,215,337).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

Schedule D
Schedule of Effective Net Investments in Non-North American Equities

December 31, 2007

	Plan's Share 2007	2006
	($ thousands)	
Deposits and short-term securities	**$ 51,586**	$ 66,345
Public equities (a) (b)		
Consumer discretionary	**300,672**	345,175
Consumer staples	**180,610**	171,918
Energy	**229,077**	191,506
Financials	**538,639**	779,898
Health care	**182,378**	188,947
Industrials	**394,156**	363,778
Information technology	**176,445**	176,798
Materials	**218,330**	194,062
Telecommunication services	**219,160**	169,695
Utilities	**122,706**	125,921
	2,562,173	2,707,698
Passive Index	**57,320**	67,203
Receivable from sale of investments and accrued investment income	**13,774**	37,988
Liabilities for investment purchases	**(30,448)**	(67,356)
	(16,674)	(29,368)
	$ 2,654,405	$ 2,811,878

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in non-North American public equities includes the notional amount of EAFE equity index swap and futures contracts totalling $295,774 (2006: $423,448).

(b) The sector classification conforms to the Global Industry Classification Standard followed by Standard & Poor's. The following is a summary of the Plan's investment in Non-North American public equities by country based on the geographic location of the stock exchange on which stocks were purchased:

	2007	2006
	($ thousands)	
United Kingdom	**$ 501,754**	$ 582,808
Japan	**461,560**	532,109
France	**278,477**	297,905
Germany	**259,575**	203,747
Switzerland	**178,311**	156,477
Netherlands	**118,564**	155,092
Spain	**102,104**	110,419
Italy	**86,485**	95,288
Australia	**105,439**	85,974
Finland	**53,215**	39,054
Other	**416,689**	448,825
	$ 2,562,173	$ 2,707,698

Schedule E
Schedule of Investments in Real Estate

December 31, 2007

	Plan's Share	
	2007	2006
	($ thousands)	
Deposits and short-term securities	**$ 1,779**	$ 761
Real estate (a)		
Office	**718,603**	730,834
Retail	**505,583**	431,799
Industrial	**231,952**	187,191
Residential	**88,831**	71,208
	1,544,969	1,421,032
Passive Index	**58,088**	50,963
Receivable from sale of investments and accrued investment income	**764**	934
	$ 1,605,600	$ 1,473,690

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	2007	2006
	($ thousands)	
Ontario	**$ 833,774**	$ 814,926
Alberta	**546,521**	444,158
Quebec	**132,404**	134,237
British Columbia	**32,270**	27,711
	$ 1,544,969	$ 1,421,032

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